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FISCAL IMPACT STATEMENT

LS 6270

BILL NUMBER: SB 12

NOTE PREPARED: Jan 29, 2008

BILL AMENDED: Jan 22, 2008

SUBJECT: Credit for Excessive Property Taxes.

FIRST AUTHOR: Sen. Kenley

FIRST SPONSOR: Rep. Crawford

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) This bill provides that for property taxes first due and payable in 2009, the circuit-breaker credit is equal to the amount by which a person's property tax liability attributable to the person's: (1) homestead exceeds 1.5%; (2) residential property exceeds 2.5%; (3) nonresidential real property exceeds 3%; or (4) personal property exceeds 3%; of gross assessed value.

The bill provides that for property taxes first due and payable in 2010 and thereafter, the circuit-breaker credit is equal to the amount by which a person's property tax liability attributable to the person's: (1) homestead exceeds 1%; (2) residential property exceeds 2%; (3) nonresidential real property exceeds 3%; or (4) personal property exceeds 3%; of gross assessed value.

This bill specifies that property taxes imposed after being approved by the voters in a referendum or local public question shall not be considered for purposes of calculating the circuit-breaker credit. It also eliminates the provision specifying that school tuition support property tax levies may not be reduced because of the circuit-breaker credit. Additionally, the bill specifies the extent to which land assessments are eligible for a credit.

The bill repeals obsolete provisions and makes conforming amendments.

Effective Date: January 1, 2009.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) Under current law, the State Fair and State Forestry funds will

have reduced revenue estimated at \$11,000 in CY 2009 and \$87,000 in CY 2010 due to the circuit breaker credits. This bill would increase that revenue loss by an estimated \$153,000 in CY 2009 and \$580,000 in CY 2010.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) Under current law, the property tax circuit breaker credit applies only to homesteads in 2008 and 2009. The credit equals the amount by which net taxes exceed 2% of gross assessed value. The credit is reduced by the amount of the credit that would otherwise be attributable to the school general fund. After 2009, the circuit breaker credit will apply to homesteads at the 2% gross AV threshold and to all other real and personal property at a 3% gross AV threshold.

Also under current law, a county or two or more political subdivisions that will have their property tax collections reduced by at least 2% in a year as a result of the application of the circuit breaker credit may petition the State Circuit Breaker Relief Appeal Board for relief from the application of the circuit breaker credit.

This bill would make changes to the circuit breaker credit beginning in CY 2009. There would be no adjustment for credit amounts attributable to the school general fund. For taxes payable in CY 2009, the circuit breaker would apply to homesteads at a 1.5% gross AV threshold, other residential property at 2.5%, and all other real and personal property at 3%.

In CY 2010. The circuit breaker would apply to homesteads at a 1% gross AV threshold, other residential property at 2%, and all other real and personal property at 3%.

The total cost of the circuit breaker under current law is estimated at \$25.1 M in CY 2009 and \$206.7 M in CY 2010. The cost under this bill is estimated at \$506.7 M in CY 2009 and \$1,160.5 M in CY 2010. This is an estimated increase of \$481.5 M in CY 2009 and \$953.8 M in CY 2010. Circuit breaker credits reduce local revenue. Additional credits further reduce revenues.

State Agencies Affected: State Fair Board; Department of Natural Resources.

Local Agencies Affected: Local civil taxing units and school corporations.

Information Sources: LSA parcel-level assessment and tax database.

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